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HEADLINE: Organogenesis Inc. Announces 1999 Fourth Quarter and Year End Financial Results

DATELINE: CANTON, Mass., March 31, 2000

BODY:

Organogenesis Inc. (AMEX:ORG) today reported financial results for the fourth quarter and year ended December 31, 1999. The results are consistent with the transition in progress from a research-focused company to a research-based operating company with a novel medical product in introduction phase.

For the year ended December 31, 1999, revenue from product sales to related party and others was \$1.8 million, compared with \$1.1 million in 1998. Total revenues were \$3.6 million for 1999, compared with \$9.0 million in 1998, which included \$6.8 million in milestone payments from Novartis Pharma AG. Total expenses (including manufacturing, research and development, and general and administrative costs) were \$31.9 million in 1999, compared with \$23.0 million in 1998. Net loss was \$0.93 per share (or \$28.4 million) for 1999, compared with a net loss of \$0.48 per share (or \$14.0 million) for 1998.

The increase in expenses was primarily due to: strengthening our employee base through additions to our production, research and support teams; costs to support publication studies and other sponsored programs, as well as increased activities in our corporate communications and business development functions; interest expense on the convertible debt issued last March; expanding our production and warehouse capacity while consolidating our administrative space; and the acquisition of intellectual property and assets from Baxter Healthcare Corporation.

Revenue from product sales to related party and others was \$0.5 million in the fourth quarter of 1999 compared with \$0.3 million for the same quarter in 1998. Total revenues were \$1.0 million for the fourth quarter of 1999, compared with \$0.6 million for the fourth quarter of 1998. Total expenses were \$9.4 million for the fourth quarter of 1999, compared with \$6.4 million in the same quarter of 1998. The increase in expenses is primarily due to: expanding our production and warehouse capacity while consolidating our administrative space; strengthening our employee base; interest expense; and consulting arrangements. Net loss was \$0.27 for the fourth quarter of 1999, compared with a net loss of \$0.19 for the same quarter in 1998.

During 1999, the number of centers that have ordered lead product Apligraf(R) increased from 316 to 1195, and the number of centers that have re-ordered Apligraf one or more times increased from 170 to 687. US commercial unit sales have also increased, from 1070 in the fourth quarter of 1998 to 2192 in the fourth quarter of 1999. Apligraf sales development is being hampered by the lack of widespread, standardized reimbursement for the product. While there is cost-effectiveness support for Apligraf, the product's unique profile necessitates a reimbursement decision-making process different from traditional therapies.

The Company ended 1999 with \$12.4 million in cash and investments. During the first quarter of 2000, Organogenesis received in advance the \$5 million milestone payment for the diabetic foot ulcer indication from Novartis Pharma AG. Organogenesis also raised \$16 million from the sales of common stock (788,925 shares at \$14 per share and 300,000 shares at \$17.25 per share, a reset price) and retired the \$6.2 million outstanding Series C preferred stock for cash. The Company also received \$10.1 million from the exercise of employee stock options during the first quarter of 2000, most of which were expiring options of former employees.

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"Prior to the US commercialization of Apligraf, our corporate focus needed to be on supporting the validity of the product concept through solid research, clinical trials and manufacturing consistency", said Philip M. Laughlin, President and Chief Executive Officer. "Now, as sales of Apligraf begin to develop, our focus must include driving down per unit manufacturing costs through the development and implementation of more efficient methods of production. At the same time, we are continuing to support other programs in our pipeline – the VITRIX(TM) living soft tissue replacement product, the vascular graft, the liver assist device – important to our longer term growth."

Organogenesis had a number of achievements in the past twelve months. These include:

Apligraf

- Use of Apligraf by over 1,400 medical centers across the US, with an increase in sales through Novartis re-focussing its sales and marketing programs in mid-1999.
- Introduction of Apligraf by Novartis in its first European market, Switzerland, in the fourth quarter of 1999.
- Successful completion of the Apligraf diabetic foot ulcers pivotal trial, which found Apligraf heals more patients, faster, than excellent standard care alone. Unhealed diabetic foot ulcers can lead to serious infection, making them a leading cause of hospitalization and amputation among diabetics in the US today.
- Submission to the FDA of a regulatory application which would enable Apligraf to be marketed for use in the treatment of diabetic foot ulcers as well as for its current indication, venous leg ulcers. This application is currently under review at the FDA.
- Publication by the largest center in the trial, the Beth Israel Deaconess Medical Center, of their results in the medical journal, *Wounds*.
- Presentation of the Apligraf burn study at two major medical conferences and its acceptance for publication in a relevant medical journal.
- Publication of information on Apligraf in the treatment of a genetic blistering disease – epidermolysis bullosa – in the *Archives of Dermatology* by the University of Miami School of Medicine.
- Continued progress on the pivotal trial assessing the effect of Apligraf use in the treatment of wounds due to skin cancer surgery on cosmetic and functional factors such as scarring. This study builds on information from two successful, published, pilot studies in skin surgery – treatment of wounds due to dermatologic surgery and treatment of donor site wounds.
- Through Apligraf, Organogenesis has emerged as a leader in tissue engineering.

Pipeline Programs

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- Initiation of pilot human clinical trials with our second living product, the VITRIX soft tissue replacement product. Expansion of the VITRIX clinical program is anticipated during 2000.
- Publication of exciting data on our vascular graft in the scientific journal Nature Biotechnology. The data shows that, in a small animal model, our non-living vascular graft is converted into a living "neo-vessel" in the body, able to constrict and dilate in response to stimulus.
- Selection of our Liver Assist Device Program for a federal \$2 million Advanced Technology Development NIST award. In 1999, our Liver Assist Device program was also strengthened through the acquisition of complementary intellectual property and equipment from Baxter International.

Corporate

- Recruitment of Philip Laughlin, who joined Organogenesis as President and Chief Operating Officer in October 1999 and was promoted to President and Chief Executive Officer effective January 1, 2000. Phil brings to the Company over twenty years of experience building successful healthcare businesses at Baxter and Medtronic, Inc. The Company extends its deepest appreciation to former Chief Executive Officer Herbert Stein and former President David Rovee, Ph.D. for their tremendous contribution and dedication to Organogenesis over many years.
- The election of Albert Erani to Chairman of the Organogenesis Board of Directors and the addition of Philip Laughlin, Bernard Marden and David Gardner to the Board. As part of the management transition, Herbert Stein and David Rovee have resigned from the Board.
- Raising \$16 million through the placement of common stock, receiving a \$5 million milestone payment in advance from Novartis Pharma AG and retiring our \$6.2 million preferred stock for cash, each in the first quarter of 2000.
- Securing a \$5 million credit facility in the fourth quarter of 1999, which provides ready access to funds for investment in our current facility.
- Participation in several leading healthcare conferences, including the Goldman Sachs Conference in June 1999 and the Chase Hambrecht & Quist Conference in January 2000.

About Apligraf

Like human skin, Apligraf is made of skin cells and structural protein. The lower dermal layer combines collagen and human fibroblasts (dermal cells), which produce additional matrix proteins. The upper epidermal layer is formed by prompting human keratinocytes (epidermal cells) first to multiply and then to differentiate to replicate the architecture of the human epidermis. Unlike human skin, Apligraf does not contain structures such as blood vessels, hair follicles or sweat glands or other cell types such as Langerhans' cells, melanocytes, macrophages or lymphocytes.

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About Organogenesis Inc.

Organogenesis Inc. designs, develops and manufactures medical products containing living cells and/or natural connective tissue. The Company's product development focus includes living tissue replacements, cell-based organ assist devices and other tissue-engineered products. Lead product Apligraf (Graftskin) is marketed in the US by Novartis Pharmaceuticals Corporation; Novartis Pharma AG has global Apligraf marketing rights. The Organogenesis research pipeline includes the VITRIX living soft tissue replacement, a vascular graft and a liver assist device.

Statements in this press release which are not historical fact are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties. The Company's actual results may differ significantly from the results discussed in this press release or in other forward-looking statements made by management. There can be no guarantee as to the rate of development of Apligraf sales, of expansion of the VITRIX clinical program in 2000 or of successful development of programs in the pipeline. There can be no guarantee of FDA approval of the Apligraf diabetic foot ulcer regulatory submission in a timely manner, if at all. There can be no guarantee that standardized reimbursement of Apligraf will be obtained in a timely manner, if at all. Apligraf(R) is a registered trademark of Novartis.

ORGANOGENESIS INC.**Consolidated Statements of Operations**
(In thousands, except share data)

	For the Three Months Ended December 31, (Unaudited)		For the Year Ended December 31, (Audited)	
	1998	1999	1998	1999
Revenues:				
Research and development				
support from related party	\$ -	\$ -	\$6,750	\$ -
Product sales to related party and others	316	543	1,082	1,844
Other income	19	315	107	832
Interest income	273	157	1,058	902
Total Revenues	608	1,015	8,997	3,578
Costs and Expenses:				
Cost of product sales				
to related party and others	-	1,060	-	3,773
Research and development	4,844	4,805	17,542	18,166
General and administrative	1,553	3,034	5,486	7,808
Non-cash purchase of incomplete technology	-	-	-	900
Interest expense, net	-	469	-	1,281
Total costs and expenses	6,397	9,368	23,028	31,928
Net Loss	\$(5,789)	\$(8,353)	\$(14,031)	\$(28,350)
Net loss per common share				
- basic and diluted	\$(.19)	\$(.27)	\$(.48)	\$(.93)
Weighted average number of common shares outstanding - basic				
and diluted	30,040,704	30,539,439	29,453,104	30,484,982

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SELECTED BALANCE SHEET DATA
(Unaudited, in thousands)

	December 31, 1998	December 31, 1999
Cash and investments	\$ 17,841	\$ 12,439
Current assets	19,012	14,973
Current liabilities	3,471	11,992
Working capital	15,541	2,981
Total assets	26,710	27,305
Long-term debt	-	22,287
Stockholders' equity	23,239	(6,974)

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